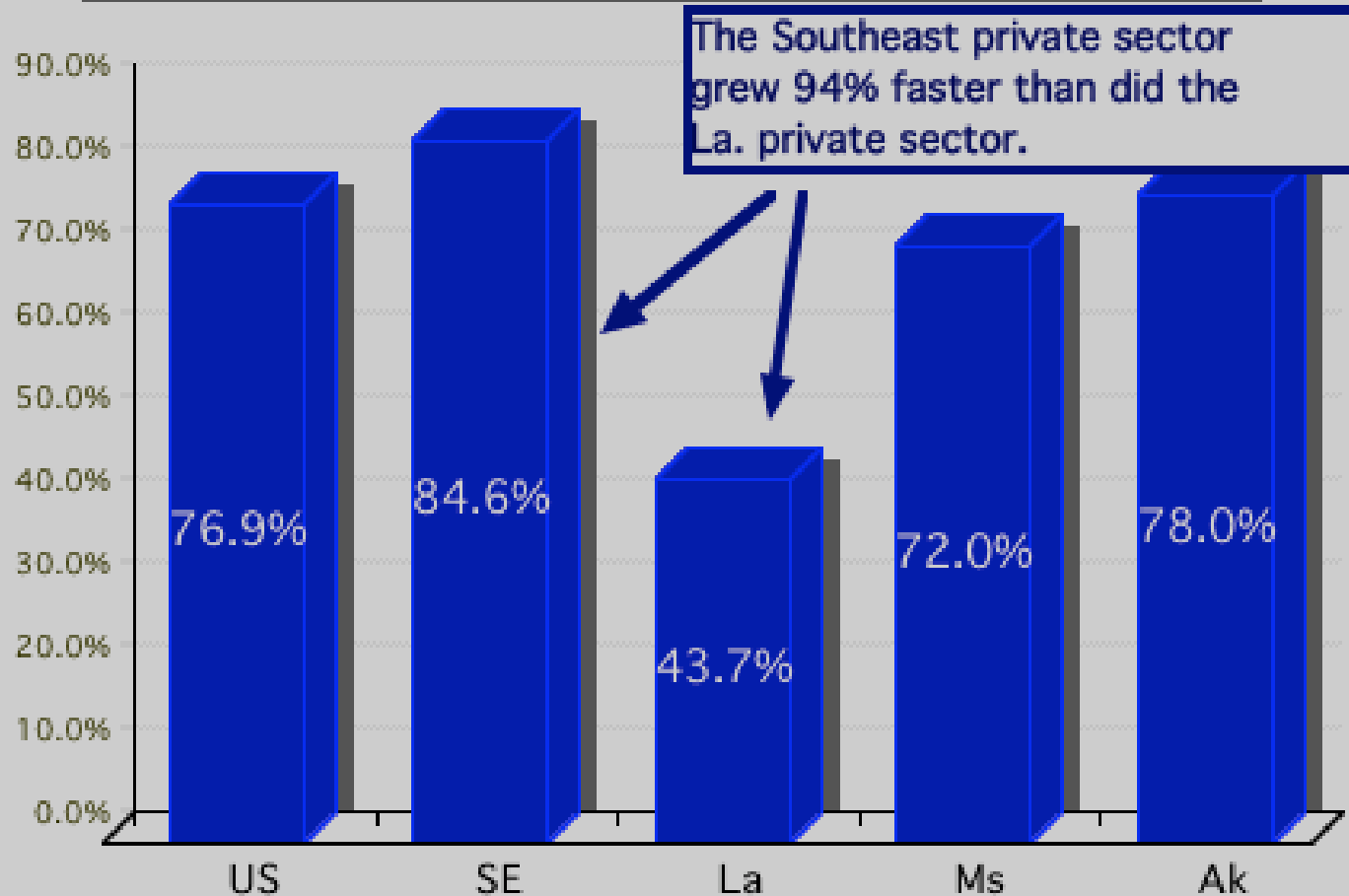


# Louisiana in the Economic Vortex

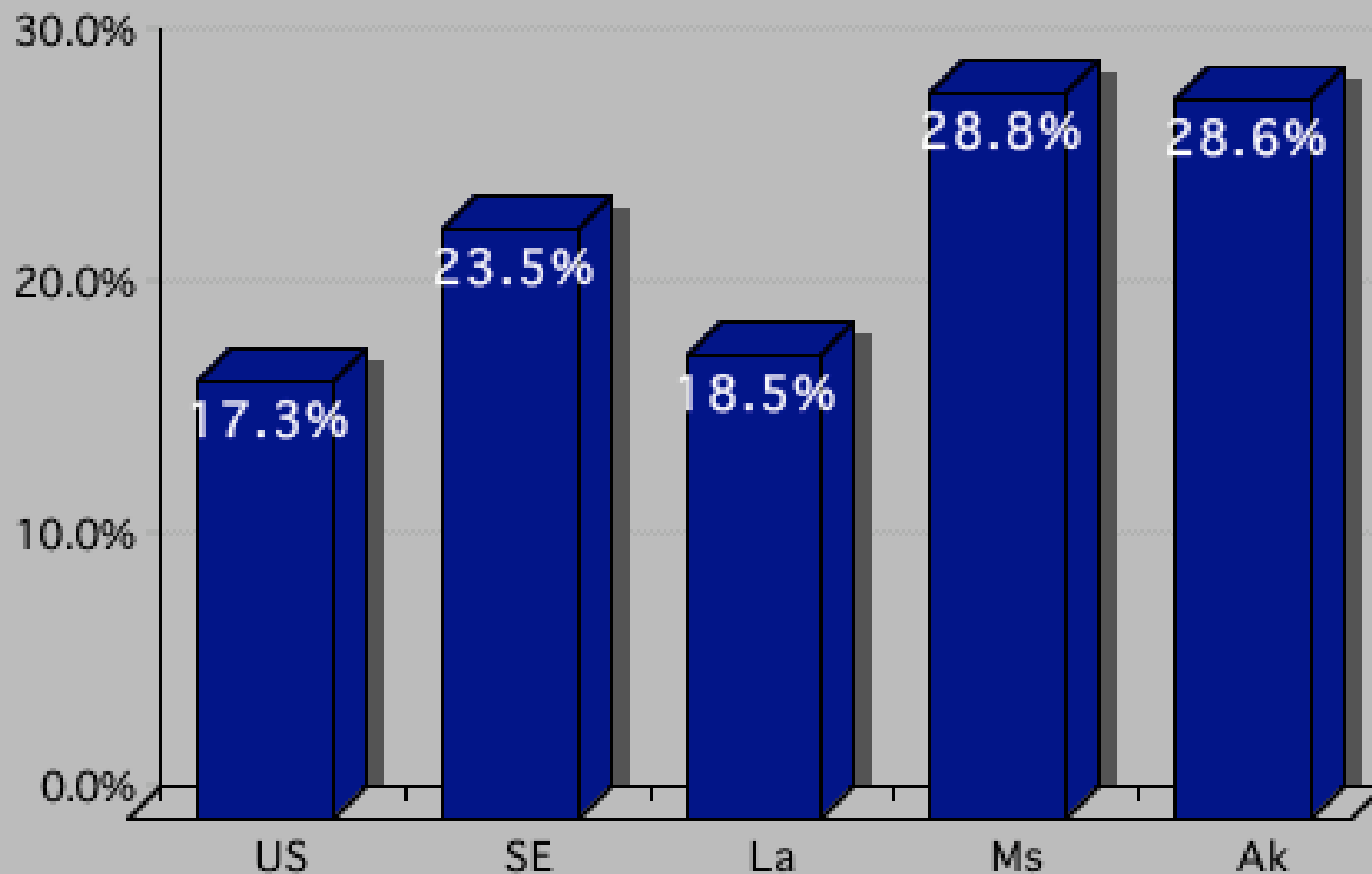
Prepared by:  
John R. Rombach, Legislative Fiscal Officer  
& the Staff of the Legislative Fiscal Office

# Entering the Vortex

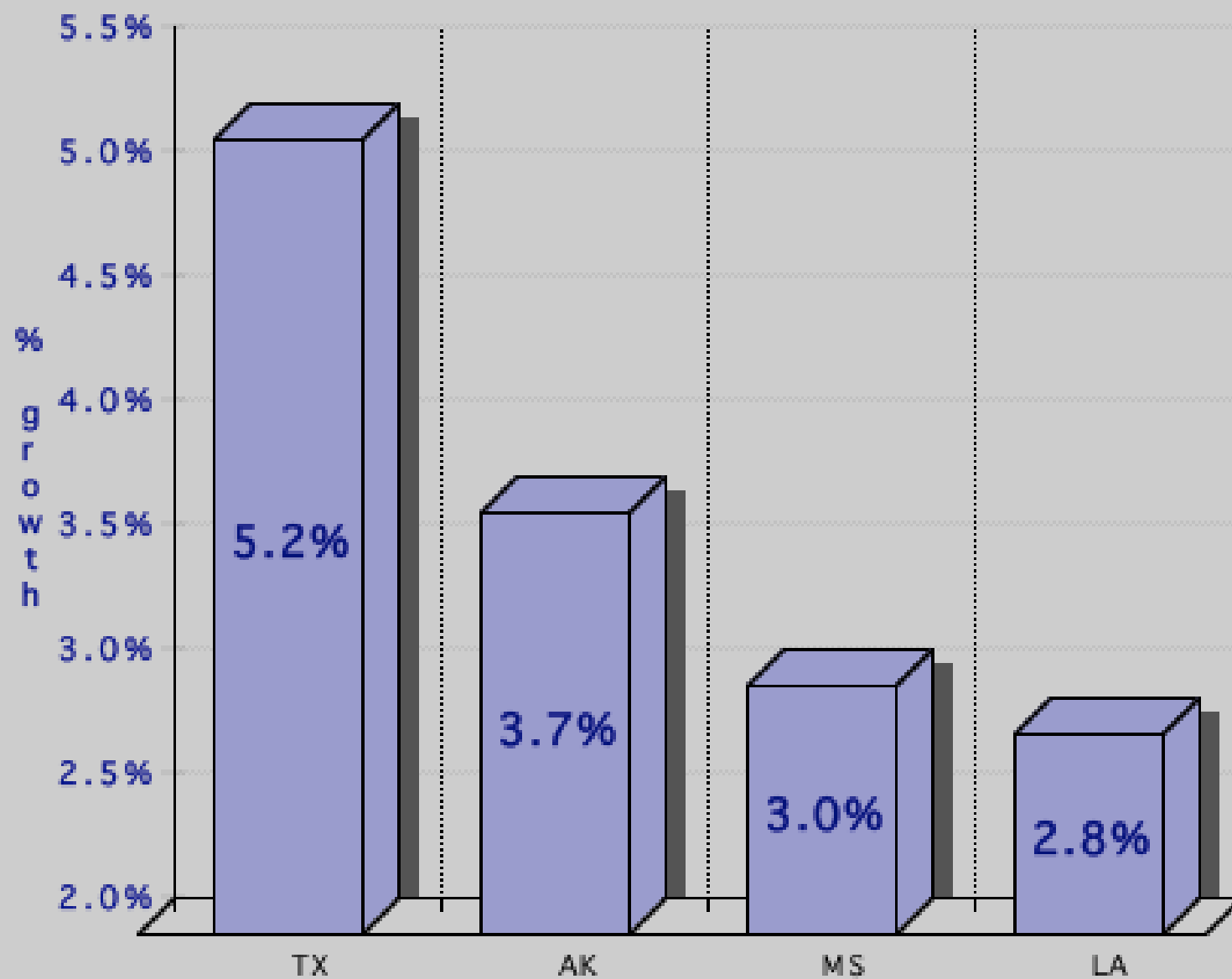
## Private Sector GDP Growth, 1990-00



## Public Sector Growth, 1990-00



## Average Annual Employment Growth, 1970 - 2001



**State Gov't  
Employment  
per 1,000 persons**

SOUTH	16.99	
LOUISIANA	21.03	1
SOUTH CAR	19.99	2
MISSISSIPPI	19.87	3
WEST VIRGINIA	19.62	4
ARKANSAS	19.03	5
KENTUCKY	18.92	6
ALABAMA	18.88	7
OKLAHOMA	18.70	8
VIRGINIA	17.18	9
MARYLAND	16.98	10
NORTH CAR	15.84	11
GEORGIA	14.45	12
TENNESSEE	14.40	13
TEXAS	12.60	14
FLORIDA	11.44	15

**La > South                    4.04**  
**# of employees               18,034**

**2001 State Payroll per capita**  
(based on March 2001 payroll)

SOUTH	\$555	
MARYLAND	\$727	1
LOUISIANA	\$704	2
KENTUCKY	\$687	3
ALABAMA	\$686	4
SOUTH CAROLINA	\$671	5
VIRGINIA	\$644	6
ARKANSAS	\$643	7
MISSISSIPPI	\$639	8
WEST VIRGINIA	\$638	9
OKLAHOMA	\$634	10
NORTH CAROLINA	\$571	11
GEORGIA	\$507	12
TENNESSEE	\$486	13
TEXAS	\$466	14
FLORIDA	\$422	15

**La > South**

**\$149**

**\$ impact**

**\$666,215,251**

# State & Local Government Employment per 1000 population

South	55.5	Rank
MS	67.5	1
LA	62.7	2
AL	60.1	3
SC	58.4	4
OK	57.7	5
TX	56.7	6
NC	56.6	7
AR	56.1	8
KY	56.0	9
VA	55.3	10
GA	54.8	11
WV	53.6	12
TN	53.2	13
MD	51.9	14
FL	49.0	15

La > South 7.3

# Employee 32,495

# 2001 State & Local Payroll Per Capita

## South \$1,827

		Rank
MD	\$2,197	1
VA	\$1,962	2
AL	\$1,920	3
NC	\$1,888	4
TX	\$1,861	5
LA	\$1,858	6
MS	\$1,835	7
SC	\$1,829	8
GA	\$1,786	9
OK	\$1,730	10
KY	\$1,725	11
FL	\$1,703	12
TN	\$1,682	13
WV	\$1,672	14
AR	\$1,611	15
La > South	\$31	
\$ Impact	\$139,238,961	

## **State Direct Expenditures** **(Total Budget, includes federal \$)**


<b>South</b>	<b>\$2,386</b>
<b>Louisiana</b>	<b>\$2,871</b>
<b>Per capita</b>	<b>\$485</b>
<b>Rank</b>	<b>4th</b>
<b>\$ Impact</b>	<b>\$2.17 B</b>

## **Current Operations (Total Budget-State \$ Only)**

<b>South</b>	<b>\$1,690</b>
<b>Louisiana</b>	<b>\$2,017</b>
<b>Per capita</b>	<b>\$327</b>
<b>Rank</b>	<b>4th</b>
<b>\$ Impact</b>	<b>\$1.462 B</b>

# **Direct Expenditures (Total Budget) State & Local**

<b>South</b>	<b>\$5,233</b>
<b>Louisiana</b>	<b>\$5,446</b>
<b>Per capita</b>	<b>\$213</b>
<b>Rank</b>	<b>3rd</b>
<b>\$ Impact</b>	<b>\$931 M</b>

 **Louisiana government  
does not have a (lack  
of) money problem.**

**Louisiana is in very big trouble.  
We are nearing the center of the  
vortex.**

**What should the government of  
Louisiana do to escape the  
economic vortex?**

**A view from the Right (cut taxes, shrink government):**

**If Louisiana were to greatly cut taxes while continuing its' current mode of operations, would the state's problems be solved?**

- **A view from the Left (raise taxes, increase government):**  
**If Louisiana were to provide billions of additional dollars to the budget, as the bureaucrats claim is needed to solve our problems - would we really solve the state's problems?**

**Louisiana exceeds the southern average but the excess employees don't produce the results that should be forthcoming from their employment - but this is not the fault of the employees.**

- **It is the outdated mode of service delivery and the inappropriate type of services delivered that are at the heart of the problem, not the employees work effort.**

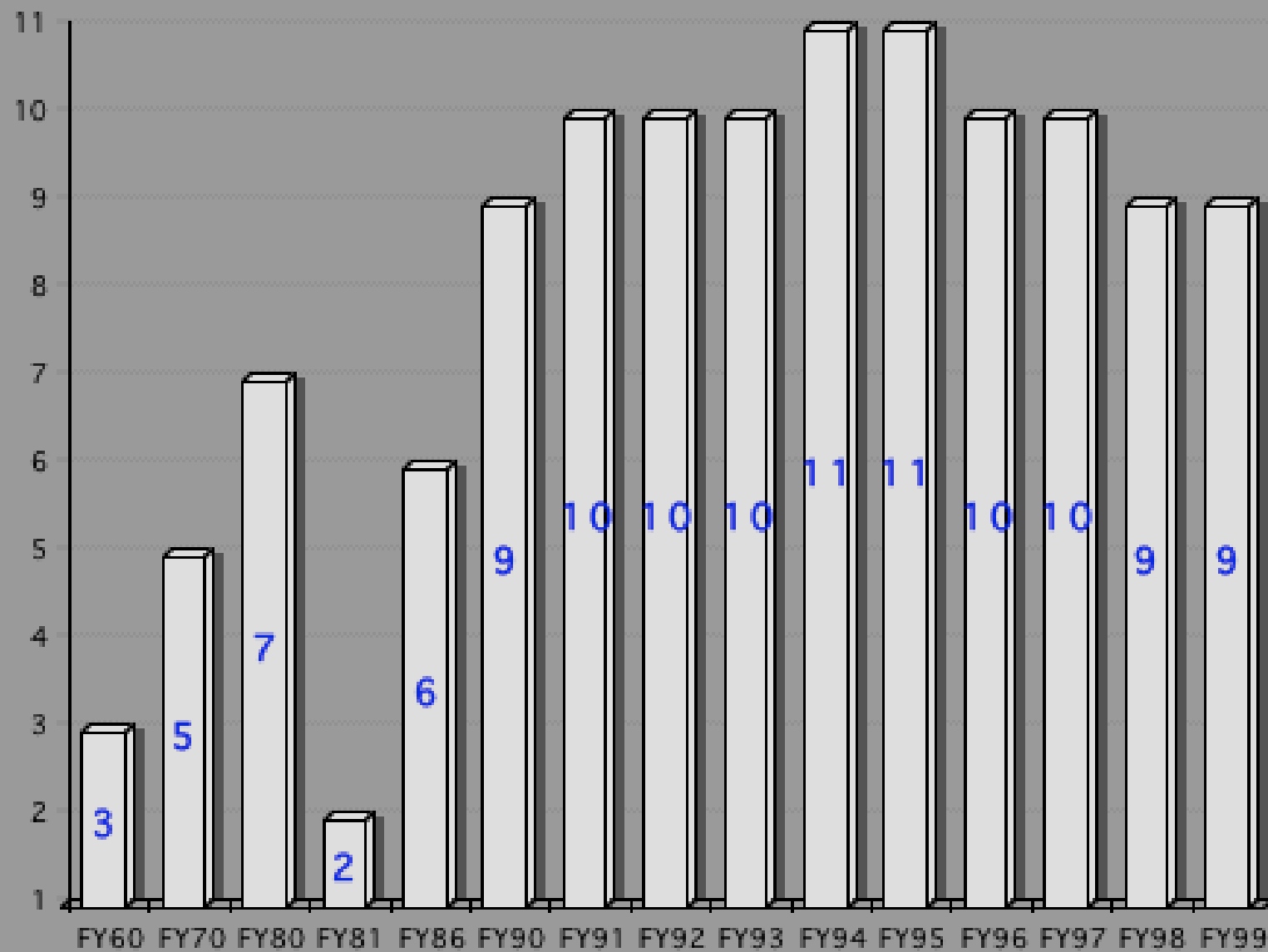
- ❑ Large institutional systems tends to have the following characteristics:
- ❑ 1) significantly higher expense than a decentralized system
- ❑ 2) require a greater number of employees than a decentralized system

- ❑ **3) provide a lesser quality of care than a decentralized system**
- ❑ **4) tend to resist innovation and change in order to protect the institution's status quo.**
- ❑ **5) unresponsive to the changing needs of the citizens they serve.**

**The real problems lies with the decades of missed opportunity where the state (local and state) has failed to change as needs, technology and circumstances have changed over time.**

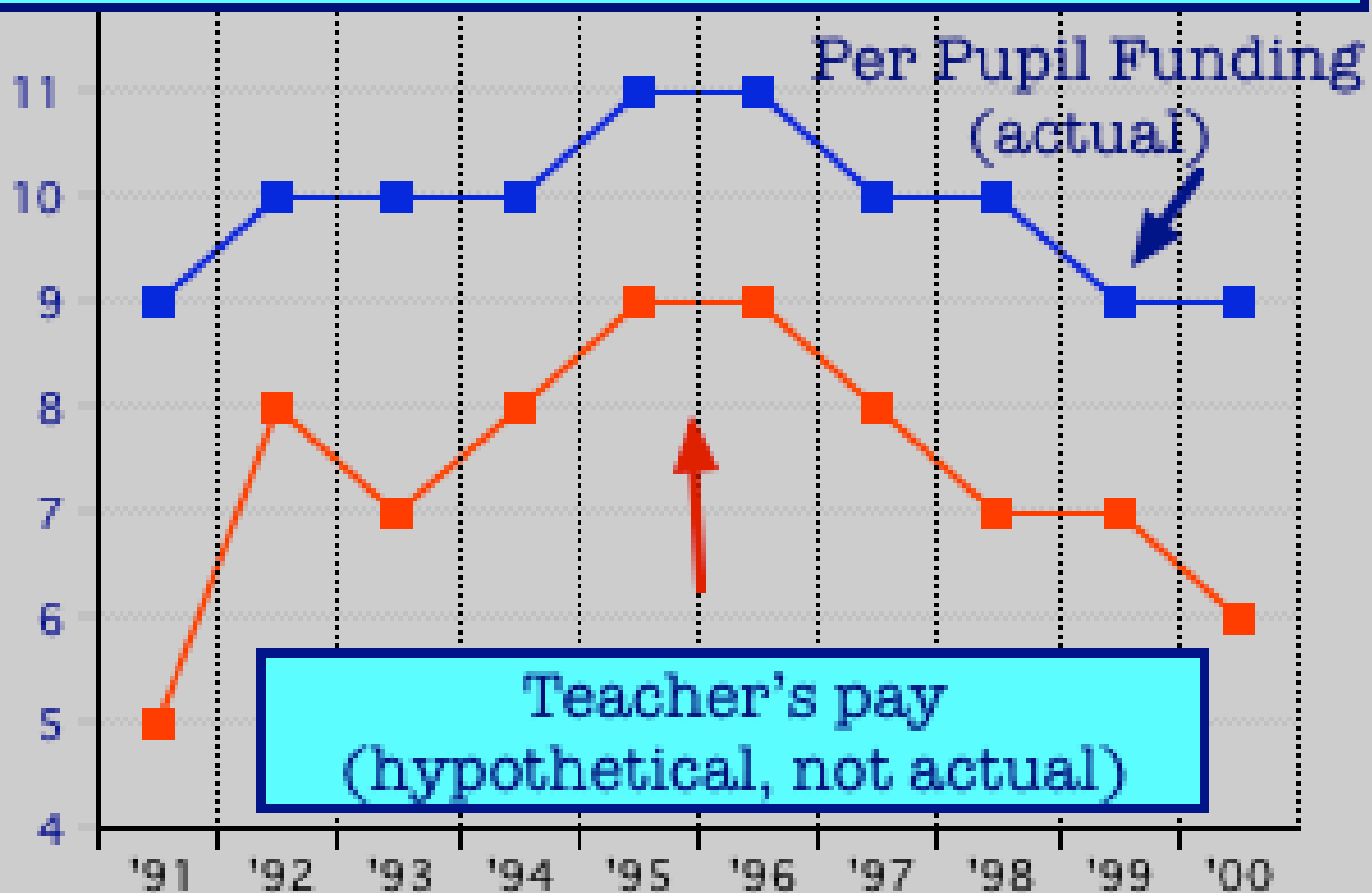
# ■ K-12 Education

# Louisiana Expenditures per Pupil - 1960-1999(real-daily ave atten)



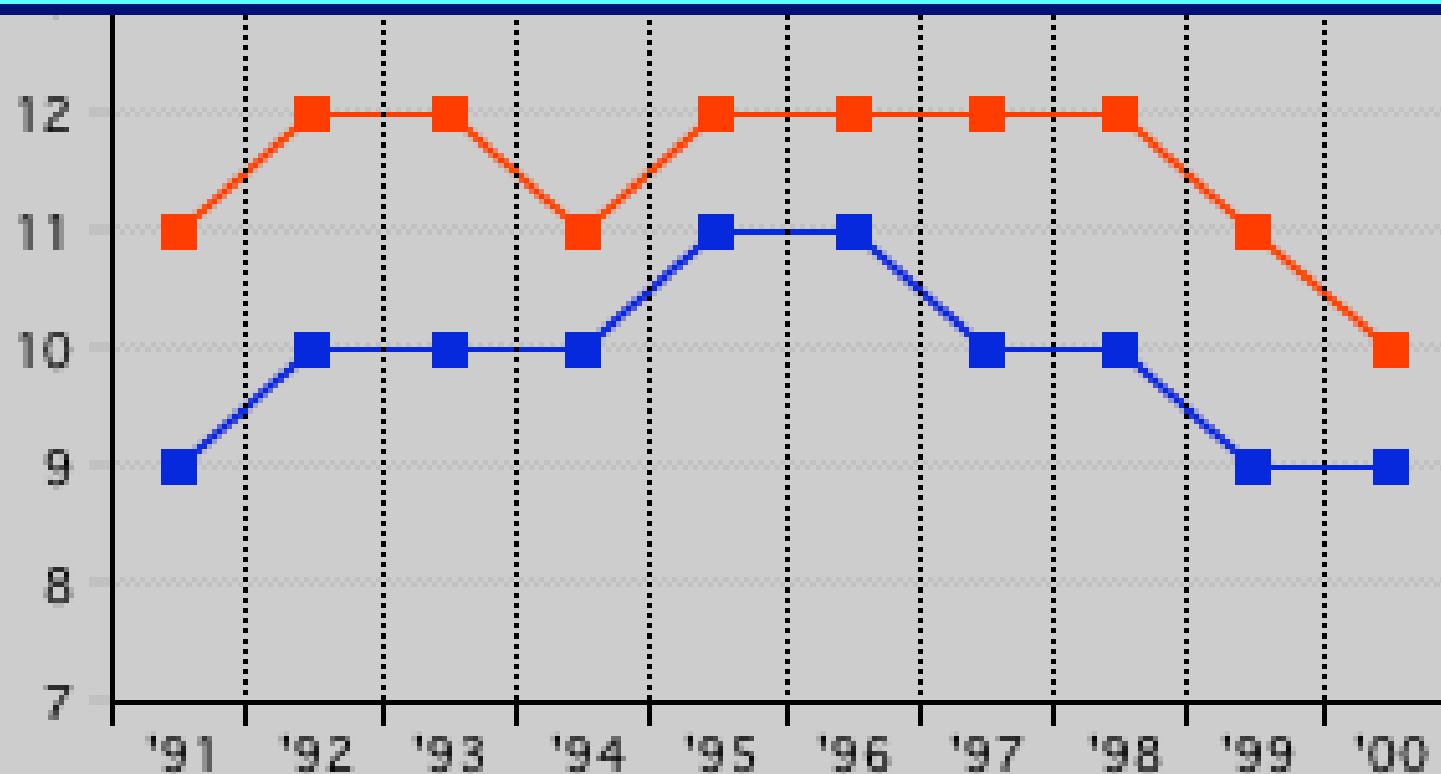
## When Teacher's Pay is a High Priority:

teacher's pay rankings will lie below expenditure per pupil rankings, as shown below



## When Teacher's Pay is a Low Priority:

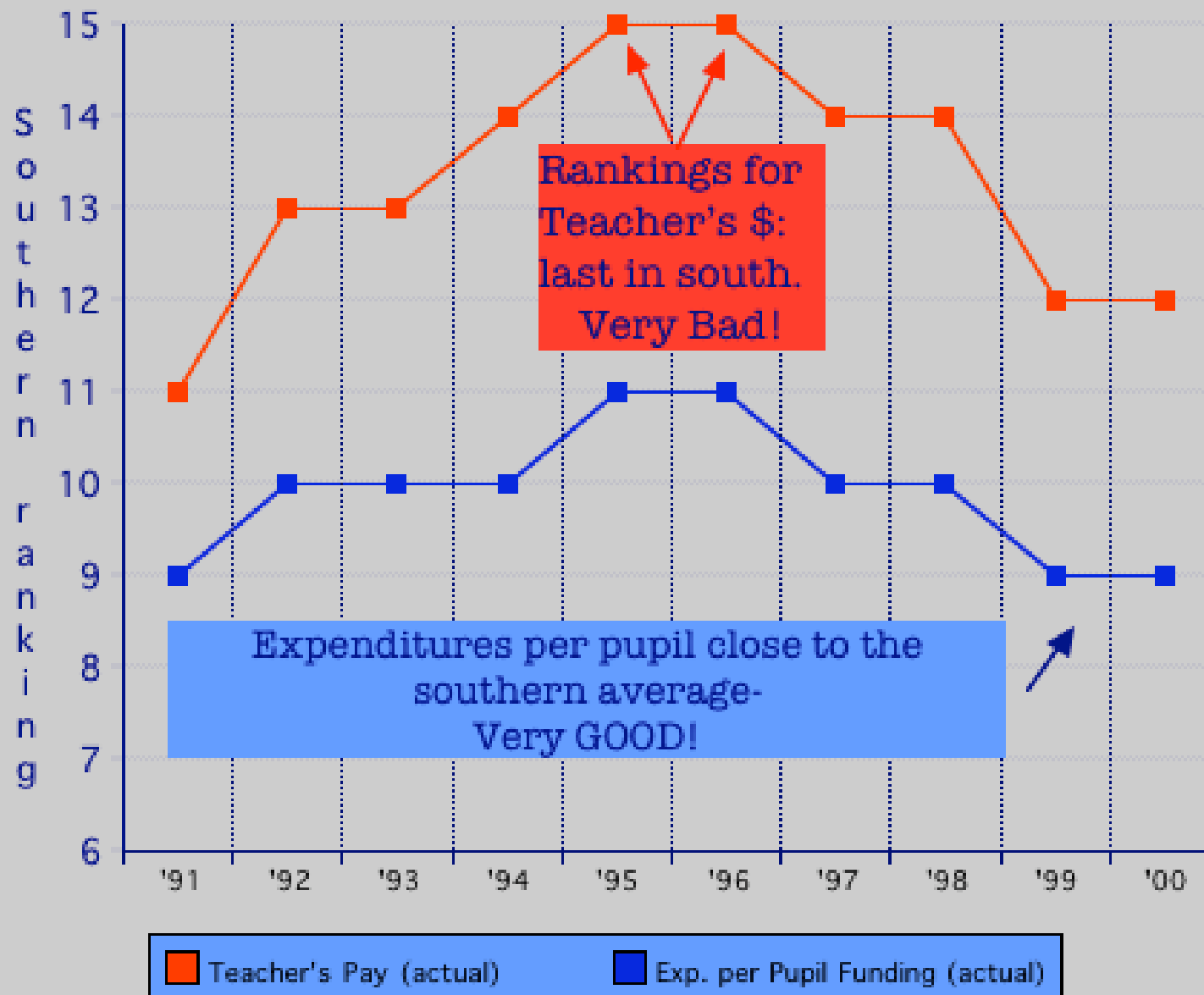
teacher's pay rankings will lie above expenditure per pupil rankings as shown below



Teacher's Pay (hypothetical)

Exp. per Pupil Funding

Statistical proof that teacher's pay is not a priority in La.



**Louisiana K-12 Staffing**  
**over(+)/under(-) Southern average**

FY99

(by function)

District - Officials and Administrators	-492
District - Administrative Support Staff	-855
District - Instruction Coordinators	<u>609</u>
<b>Net District Staff</b>	<b>-738</b>

School Staff - Principals & Asst. Principals	86
School Staff - School & Library Support Staff	-576
School Staff - Teachers	1,218
School Staff - Instructional Aides	225
School Staff - Guidance Counselors	1,466
School Staff - Librarians	95
School Staff - Student support	-1,278
<b>School Staff - Other support</b>	<b><u>5,589</u></b>
<b>Net School Staff</b>	<b>6,825</b>

<b>Total Staff</b>	<b>6,087</b>
--------------------	--------------

Expenditure Category	Per pupil expenditures	rank	La-South = (\$ per pupil)	\$ Impact (in millions)
<b>1) Food Services</b>				
South	\$20			
Louisiana	\$71	2	\$84	\$63.4
<b>2) Operation &amp; maintenance</b>				
South	\$215			
Louisiana	\$294	10	\$81	\$61.6
<b>3) Student transportation</b>				
South	\$215			
Louisiana	\$294	3	\$79	\$59.7
<b>4) Enterprise operations *</b>				
South	\$20			
Louisiana	\$71	3	\$51	\$38.9
<b>5) Instructional Staff ** (non-classroom)</b>				
South	\$100			
Louisiana	\$121	9	\$41	\$31.2
<b>6) Other Support Services</b>				
South	\$300			
Louisiana	\$384	10	\$33	\$25.3
<b>7) General Administration</b>				
South	\$333			
Louisiana	\$310	7	-\$21	-\$15.6
<b>8) School Administration</b>				
South	\$553			
Louisiana	\$471	11	-\$23	-\$17.7
<b>9) Student Support expenditures</b>				
South	\$288			
Louisiana	\$246	10	-\$44	-\$33.1
<b>10) Other Current Exp.</b>				
South	\$75			
Louisiana	\$23	14	-\$51	-\$39.0
<b>11) K-12 Instruction (classroom)</b>				
South	\$3,482			
Louisiana	\$3,406	7	-\$76	<b>-\$57.6</b>
** (expenditures for curriculum development, staff training, libraries, and media and computer centers)				

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# Classroom Expenditure Categories

## Louisiana versus the Southern Average

(per capita basis)

Expenditure Category	Per pupil expenditures	rank	La-South = (\$ per pupil)	\$ Impact (in millions)
<b>1) Employee Benefits</b>				
South	\$597			
Louisiana	\$677	6	\$79	<b>\$60,095,352</b>
<b>2) Supplies</b>				
South	\$198			
Louisiana	\$198	5	\$1	\$560,705
<b>3) Tuition &amp; other</b>				
South	\$29			
Louisiana	\$5	11	-\$23	-\$17,774,046
<b>4) Purchased Services</b>				
South	\$96			
Louisiana	\$48	3	-\$48	-\$36,219,809
<b>5) Salaries (teacher and teacher aides)</b>				
South	\$2,562			
Louisiana	\$2,477	9	-\$85	<b>-\$64,263,685</b>
<b>Total Classroom Per Pupil Expenditures</b>				
South	\$3,482			
Louisiana	\$3,406	7	-\$76	-\$57,601,483

**Louisiana spends in excess of  
\$200 million over the  
southern average in areas  
clearly less important than  
the classroom.....**

**..... areas  
that should be prioritized  
much lower than the  
classroom.....**

**.....whereas classroom expenditures are \$57.6 million below the southern average and are one of the lowest priorities by the education decision makers in Louisiana (whether intentionally or not).**

- **Suggestion:**
- **Since the state pays the lion's share of the bill, let the state take over classroom expenses**

# □ Higher Education

## ■ *Higher Education*

*According to the Board of Regents and the Southern Regional Education Board, Louisiana woefully underfunds higher education. The current figure is placed at \$258 million under the southern average.*

According to the Board of Regents and the Southern Regional Education Board, Louisiana woefully underfunds higher education.

The current figure is placed at \$258 million under the southern average.

**The implication is that the  
citizens (or the state) of  
Louisiana do not place  
sufficient emphasis or  
financial effort towards  
funding higher ed.....**

**.....that Louisiana has  
neglected higher education.**

- **As proof, the higher education community brings forth data that appears to support this view.....**
- **.....when in fact the data, while correct, is indicating something entirely different.**

**FTE  
Versus  
Per Capita  
Analysis**

# State Appropriations per Capita

South	\$228
Louisiana	\$223
Per capita	\$4.19
Rank	11th
\$ Impact	\$18.7 M

FTE:      rank =      15th  
                 impact =      \$258M

**La.'s FTE enrollment  
at 4 year  
institutions is  
48,109 FTE's greater  
than the southern  
average (per capita  
basis).**

**La.'s FTE enrollment  
at 2 year institutions  
is 32,719 FTE's less  
than the southern  
average**

**The cost...**

 .....\$98

million per  
year.

## **Speculation:**

**A likely explanation is that Louisiana's students are less prepared for a 4 year college curriculum than the average southern student - based upon the very disappointing K-12 results in Louisiana.**

- **Given the very open admissions policies in Louisiana, it is likely that we are wasting vast resources by allowing students to enter universities that they are not prepared to attend.**

**High failure rates**

**Lengthy entry/graduation  
periods**

**Preparatory course FTE's....**

**All of the above lead to an  
abnormally high FTE count.**

**Possible Solutions:**

- ❑ **Require universities to charge for extra courses.**

**Require students desiring to attend Louisiana's public universities to take and pass an entrance exam before**

**Require the school district to pay for the remediation/preparation courses if the student fails.**

**Encourage (through MFP funding incentives) more stringent college preparatory courses in high school.**

■ Establish university enrollment caps based on infrastructure capacity.

**Presently La.'s flagship's mix  
of students closely resembles a  
four year teaching institution  
- not a research institution**

**(Approximately 5,000 too many  
freshmen and sophomores; far  
too few graduate students and  
seniors).**

**■ This is a major hindrance in the school's ability to:**

**■ 1) perform top flight research,**

**2) to attract top flight research professors,**

**3) to receive the associated research grants,**

**4) the receive the associated prestige,**

**5) and reap the significant economic impact.**

**What happens if the  
\$258 million FTE  
shortfall is funded  
(thus attaining the  
FTE southern  
average)?**

- **The tax effort per La. taxpayer jumps from \$223 per person to \$281 per person (\$58 per citizen increase) and the tax effort ranking jumps from 10th to 3rd highest.**

The Louisiana taxpayer will pay \$240 million (\$258M minus \$18 million) over the southern average for a 3rd highest per capita ranking in funding higher education.

.....but will gain only a 7th or 8th FTE rank in return.

**Louisiana's higher ed funding woes are not a function of a lack of taxpayer effort, but rather a system is defined by :**

**a plethora of four year universities and a dearth of two year schools...**

far too many student credit  
hours(FTE's)...

taking far too long to  
graduate...

with too many dropouts...

and too many “wannabe”  
universities.

# Personal Health Care Results:

**Arkansas's ranking is 41th.**

**Mississippi's ranking is 49th or 50th**

**Louisiana's ranking is 49th or 50.**

**(La. & Miss. tend to rotate turns at 50th)**

# **Personal Health Care Expenditures (public & private):**

**La. is:      # 4 in the south  
                 # 9 in the nation**

**La. spends approx. \$2 billion  
more than Miss. or Ark. for  
personal health care.**

**Medicaid expenditures:**

**Louisiana is: # 2 in the south**

**La. spends approx. \$1.281 billion more than the southern average**

**La. spends approx. \$678 million more than Ark.**

**La. spends approx. \$263 million more than Miss.**

# **Hospital care expenditures:**

**Louisiana is:**

**# 1 in the south**

**# 7 in the nation**

**La. spends approx. \$1.4 billion  
more than Ark. and \$1 billion  
more than Miss.**

# ■ **TRANSPORTATION**

**The FY 03 budget includes a total of \$90.7 million for the following expenditures from TTF which are not related to construction:**

**\$39.2 million for state police for traffic control purposes;**

**\$20 million for the Port Priority Program;**

**\$10 million for flood control;**

**\$5.1 million for UAL (one-time payment); and**

**\$16.4 million for insurance costs for retired employees and surviving spouses**

■ LOUISIANA is nearing  
the center of the  
VORTEX.....

■ .....time is  
running out

**“Vortex” can be found at:**

**[www.LaLegisFiscalOffice.com](http://www.LaLegisFiscalOffice.com)**

**under “Budget Documents”**